

MONTANA LEGISLATIVE HISTORY

Chapter 297 19 87

Bill H _____ S 245 Original bill & history C

H. Committee on Business & Labor

Hearing Date(s) Mar 05 ✓ C

_____ C

_____ C

_____ C

Date Out Mar 05 ✓ C

S. Committee on Business & Industry

Hearing Date(s) Feb 05 ✓ C

Feb 06 ✓ C

_____ C

_____ C

Feb 06 ✓ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

SENATE FINAL STATUS

2/03 REREFERRED TO STATE ADMINISTRATION
 2/10 FISCAL NOTE RECEIVED
 2/14 REVISED FISCAL NOTE PREPARED
 2/16 HEARING
 2/19 REVISED FISCAL NOTE RECEIVED
 NOT SIGNED BY SPONSOR
 DIED IN COMMITTEE

SB 245 INTRODUCED BY KOLSTAD, MEYER, MCCALLUM, ET AL.
 COMPUTATION OF FINANCE CHARGE ON RETAIL CHARGE
 ACCOUNT AGREEMENT

1/29 INTRODUCED
 1/29 REFERRED TO BUSINESS & INDUSTRY
 2/05 HEARING
 2/09 COMMITTEE REPORT--BILL PASSED AS AMENDED
 2/12 2ND READING PASSED 38 4
 2/14 3RD READING PASSED 45 4

TRANSMITTED TO HOUSE
 2/18 REFERRED TO BUSINESS & LABOR
 3/05 HEARING
 3/05 COMMITTEE REPORT--BILL CONCURRED AS AMENDED
 3/07 2ND READING CONCURRED 88 0
 3/09 3RD READING CONCURRED 94 2

RETURNED TO SENATE WITH AMENDMENTS
 3/21 2ND READING AMENDMENTS CONCURRED 41 0
 3/23 3RD READING AMENDMENTS CONCURRED 47 1
 3/25 SIGNED BY PRESIDENT
 3/26 SIGNED BY SPEAKER

3/26 TRANSMITTED TO GOVERNOR
 3/31 SIGNED BY GOVERNOR
 CHAPTER NUMBER 297 EFFECTIVE DATE: 10/01/87

SB 246 INTRODUCED BY BENGTSON, HIMSL, WINSLOW, ET AL.
 EXTEND AND REVISE CERTIFICATE OF NEED LAW
 BY REQUEST OF DEPARTMENT OF HEALTH &
 ENVIRONMENTAL SCIENCES

1/29 INTRODUCED
 1/29 REFERRED TO PUBLIC HEALTH, WELFARE & SAFETY
 2/13 HEARING
 2/18 FISCAL NOTE REQUESTED
 2/18 COMMITTEE REPORT--BILL PASSED
 2/19 FISCAL NOTE RECEIVED
 2/20 2ND READING PASSED 37 11
 2/23 3RD READING PASSED 33 17

TRANSMITTED TO HOUSE
 2/24 REFERRED TO HUMAN SERVICES & AGING
 3/10 HEARING
 3/24 COMMITTEE REPORT--BILL CONCURRED AS AMENDED
 STATEMENT OF INTENT ADOPTED
 3/27 2ND READING CONCURRED AS AMENDED 72 18
 3/30 3RD READING CONCURRED 81 17

RETURNED TO SENATE WITH AMENDMENTS
 4/03 2ND READING AMENDMENTS CONCURRED 50 0
 STATEMENT OF INTENT CONCURRED
 4/04 3RD READING AMENDMENTS CONCURRED 47 2
 STATEMENT OF INTENT CONCURRED
 4/08 SIGNED BY PRESIDENT

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

February 5, 1987

The fifteenth meeting of the Business and Industry Committee was called to order by Chairman Allen Kolstad on Thursday, February 5, 1987 in Room 410 of the Capitol at 10 a.m.

ROLL CALL: All committee members were present. Vice-Chairman Ted Neuman assumed the chair in order that Chairman Kolstad could present his bill.

CONSIDERATION OF SENATE BILL NO. 245: Sen. Allen C. Kolstad, Senate District 7, chief sponsor of SB 245, said the bill requires the computation of finance charges on retail charge account agreements to be based on the average balance of the account rather than on the ending balance. Sen. Kolstad explained that in the credit card industry, the most common method of calculating interest is on the average daily balance, because it is the most equitable for both the consumer and the creditor. Under this method, the interest is calculated by applying the rate of interest to the average balance outstanding during that period after deducting any purchases made by the card user during the previous 30 days. Therefore, the consumer pays for the use of the funds for the period they were used and the creditor receives payment for the funds for the period they were used. However, under the present credit card law in Montana, the interest must be computed by applying the interest rate to the ending balance of the period after deducting that balance and any charges made by the card user during the previous 30 days. Currently, there is only one Montana company that issues Mastercard and that is the Bank of Montana System. This bill puts the Bank of Montana System on a par with the other bank card issuers. Since the Montana Bank System is the only bank card company that is required to compute this interest on the ending balance, we are asking that it be possible for them to be on equal footing with the other card companies. (EXHIBIT 1)

PROPOSERS:

Ed Lamb, Executive Vice-President, Bank of Montana System, Great Falls, spoke in favor of SB 245. (EXHIBIT 2)

George Allen, representing the Montana Retail Association, Helena, urged the committee's support of SB 245 and asked to have the words "daily balance" added on page 4, line 2, as it actually does not change the meaning of the bill. (EXHIBIT 3)

John Cadby, Helena, representing the Montana Bankers' Association, the Independent Bankers and the Minnesota Twins urged passage of SB 245. They feel that it will send a positive signal to all of the major retailers throughout the land that they can once again use the average daily balance method of computing interest charges in Montana. Businesses will no longer have to reset their computers to use a different method or have to put out on all their statements the notice that in all states except Montana, they use the average daily balance method. He cited several companies such as AMOCO, CONOCO, J.C. Penney, Union Oil and The Bon in Seattle. He also asked that the word "daily" be added where needed throughout the bill.

OPPONENTS: There were no opponents.

DISCUSSION OF SENATE BILL NO. 245: Questions were called for from the committee members.

Sen. Thayer asked who introduced the bill in 1981. George Allen said that this was part of a credit bill that lifted the usury limits and this particular part of the bill was amended on the Senate floor.

Sen. Hager asked why we are limiting this to only one bank. Mr. Cadby answered that in the 1979 statutes there were three alternatives listed and the bank could use any one that they chose. This was changed in the 1981 session which restricted it to one; you could go back to the 1979 session and reinsert all three methods.

Sen. Neuman asked Mr. Cadby what the average rates are being charged by these various firms today. Mr. Lamb replied with the following rates: Norwest Bank Cards, 19.8%; 1st Bank System, 19.8%; 1st Bank Card System, Omaha, 19.8% and 1st Bank of Delaware 19.8%. The lowest on his list was Chase Manhattan, through Delaware which was 17.5%. The one through Columbus, Ohio is 18.0% and the average is 19.8%. Mr. Lamb continued by stating that his bank has to charge 22% because of the way they are required to compute the charge. He stated they are trying to move toward 21% but right now are in a holding pattern because they are required to go through two billing cycles in order to change the rate. They would like to be lower and calculated that if they can get this legislation changed, they could be priced somewhere between 16-17% which would be below the figures stated here and they could still be profitable. Mr. Cadby said the average daily posting throughout the country is 18%. There is increased pressure and competition with some banking institutions going as low as 15%. Therefore, the rates fluctuate all the way from 15-21% and annual fees also vary.

Sen. Thayer asked if Sen. Kolstad wanted an effective date on SB 245 and Sen. Kolstad answered that it would be good to have the effective date on passage and approval but he hadn't discussed this with the people who asked him to introduce the bill. He said that he will probably suggest this as a possible amendment.

There being no further questions from the committee, Sen. Kolstad closed his presentation of SB 245 by stating that this is strictly a fairness issue and it is because of the competitive disadvantage caused by this Montana law that the companies are finding it very difficult to compete here. He feels that ultimately, the bank card company must either discontinue its credit card division in this state, or move somewhere else if the law isn't changed.

CONSIDERATION OF HOUSE BILL NO. 177: Rep. Tom Jones, House District 4, Kalispell, chief sponsor of the bill, said the bill does one simple thing; on line 19 it deletes the words "insurance or abstract company" and replaces it with the more popular language, "insurer or title insurance agents or agency".

PROPONENTS:

Gene Phillips, Kalispell, representing the Montana Land Title Association, stated they support the bill as it brings the language into conformity with the bill passed two years ago with respect to title insurance companies operating in the state of Montana and urged the committee's support of HB 177.

OPPONENTS: There were no opponents.

DISCUSSION OF HOUSE BILL NO. 177: Questions were then called from the committee members. There were none.

DISPOSITION OF HOUSE BILL NO. 177: Sen. Thayer MOVED HB 177 BE CONCURRED IN. The Motion was seconded by Sen. Meyer and CARRIED UNANIMOUSLY.

CONSIDERATION OF HOUSE BILL NO. 218: Rep. Ray Brandewie, House District 49, Bigfork, chief sponsor of the bill, stated that it amends present law. At the present time, it is unlawful to carry or have in your possession more than five Christmas trees without being able to show proof of ownership. First of all, Rep. Brandewie told the committee that he is in the tree business and does have a vested interest in the bill; but he was carrying this bill at the request of the Flathead County Attorney's office. He explained that he grows plantation Christmas trees, and the primary problem is the loss of wild Christmas trees and boughs off State and National Forest land as well as from private land. It is a large problem in Flathead, Lake and Lincoln Counties and probably other areas where public land exists or plantation

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/5/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER	✓		
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

In the credit card industry the most common method of calculating interest is on the average daily balance because it is the most equitable for both the consumer and the creditor. Under this method, the interest is calculated by applying the rate of interest to the average balance outstanding during the period (after deducting any purchases made by the card user during the previous 30 days). Thus, the consumer pays for the use of funds for the period they were used and the creditor receives payment for the funds for the period they were used.

However, under the present law in Montana, interest must be computed by applying the interest rate to the ending balance of the period (after deducting from that balance, any charges made by the card user during the previous 30 days).

Using the ending balance method of computation required under current Montana law, reduces the yield to the credit grantor by 3% on the average, therefore, to equal the yield of an out of state card issuer, a Montana company issuing a credit card must state an interest rate of 3% more than an out of state company. This puts the Montana company at a competitive disadvantage because the consumer perceives that the cost of the Montana company's card is more than the cost of the out of state card.

Currently, there is only one company in Montana that issues credit cards (VISA and Master Card) and because of the competitive disadvantage caused by the Montana law, the company is finding it increasingly difficult to compete. Ultimately, the company must either discontinue its credit card division, or move its credit card division to a state that permits calculating the interest on the average daily balance. In either case, the state of Montana will lose employment, income and tax revenues.

The following examples will illustrate the difference between using the average daily balance to calculate the interest and the ending balance method.

COMMITTEE ON

DATE

2/5/87

Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
James R. Butler	Ashland Oil, Supramax	239		✓
Olson J. Haydon	Ashland Oil, Supramax	239		✓
Kenneth R. McElroy	Ashland SA-Helene	239		✓
Harold Ude	CENEX	239		✓
Ken Syndergaard	Ken's Interstate Ser.	239	✓	
Bill Hoff	Interstate Sinclair	239	✓	
Don Leland	ATOM	239	✓	
Dick Skewis	ATOM	239	✓	
John D. Taggart	ATCAL	239		
Kurt Krueger	Mont Petro Dist Assoc	239		✓
Doug Alexander	Mont Petroleum Dist Assoc			✓
Kenia Alexander	MT. Petroleum Marketers			✓
Cheryl Syndergaard	Ken's Int. Ser.	239	✓	
R. J. Robinson	MTN Viper CAPROX	239	✓	
BRUCE MITCHELL	A.T.O.M.	239	✓	
Butler Taggart	ATCAL	239	✓	
John Peddy	MT BANKERS ASS	SB 245	✓	
George Allen	MT. Railroad Assoc	SB 245	✓	
Charlotte Gray	Bank of Mt System	SB 245	✓	
Ed Lamb	Bank of Mt System	SB 245	✓	
Deb Hart	Bank of Mount-Holma	SB 245	✓	
Janet Gallan	Yotta Petroleum	SB 239		X
W. Larry Cripe	Conoco Inc	SB 239		X
Steve Visacca	Visacca Petroleum	SB 239		✓
GENE PHILLIPS	MLTA	HB 177	X	
Gene Landers	Lewis & Clark			

(Please leave prepared statement with Secretary)

EXAMPLE #1

Assumption:

- (a) Balance on billing cycle date to 8-30-86 is (-0-)
- (b) Two thousand dollars (\$2,000.00) of purchases are charged to the account during September, so the balance on billing cycle date 9-30-86 is \$2,000.00.
- (c) A one hundred dollar (\$100.00) payment is posted to the account on 10-28-86.
- (d) The balance on the billing cycle date 10-30-86 is \$1,900.00
- (e) The billing cycle contains 30 days.

Interest Calculation Based on Average the Average Daily Balance

$\$2,000.00 \times 28 \text{ days} \div 30 \text{ days in billing cycle} = 1,866.66$

$\$1,900.00 \times 2 \text{ days} \div 30 \text{ days in billing cycle} = 126.66$

Average daily balance 1,993.32

$\$1,993.32 \text{ Average daily balance} \times 1.5\% (18\% \text{ per year}) = \underline{\$29.90}$
interest for the month.

Interest Calculation Based on Ending Balance

$\$1,900 \times 1.574\% (18.89\% \text{ per year}) = \underline{\$29.90}$ interest for the month.

Thus, using the ending balance method of computing interest, the card issuer must charge 18.89% per year to equal the same yield as those charging 18% on the average balance method in this example.

EXAMPLE #2

Assumptions:

- (a) Balance on billing cycle date 8-30-86 is zero (-0-)
- (b) Two thousand dollars (\$2,000.00) of purchases are charged to the account during September so the balance on the billing cycle date 9-30-86 is \$2,000.00
- (c) Purchases of \$1,000.00 are charged to the card in Oct.
- (d) \$2,000.00 payment is posted to the account on 10-28-86
- (e) The balance on the 10-30-86 billing cycle is \$1,000.00
- (f) The billing cycle contains 30 days

Intest Calculations Based on Average Daily Balance Computations

Deduct the \$1,000.00 purchases in October. No interest is charged on this amount in October.

$\$2,000.00 \times 28 \text{ days} \div 30 \text{ days in billing cycle} = \$1,866.66$
average balance.

$\$1,866.66 \text{ average daily balance} \times 1.5\% (18\% \text{ per year}) = \28.00
interest per billing cycle.

Interest Calculation Based on Ending Balance Computations

Deduct the \$1,000.00 purchases in October. No interest is charged on this amount in October.

Therefore, the effective ending balance is (-0-) $\times 1.50\%$ (18% per year) = -0- interest for billing cycle.

Using the Ending Balance computation method results in collecting no interest at all on an account which had an average daily balance of \$1,866.66 for the month.

EFFECT OF METHOD CHANGE

ON BANKCARD EARNINGS

PERIOD 7/80 - 6/81 (12 mo)

	m/c \$ VISA
AVG. OUTSTANDINGS (CURRENT METHOD)	\$ 2858200
LESS: F.C. BILLED (AVG)	34900
PAIDS. APPLIED (AVG)	796300
REFUNDS APPLIED (AVG)	13100
AVG. MONTH END BALANCE SUBJECT TO FINANCE CHARGE	\$ 2013900
MULTIPLIED BY 18%	\$ 362500
ACTUAL F.C. EARNED AVG. DAILY BAL.	\$ 418400
NET LOSS DUE TO METHOD CHANGE	\$ 55900
R.O.A. USING AVG. DAILY BAL METHOD	20.8%
R.O.A. USING MO. END BAL. METHOD	18.0%
% LOSS DUE TO CHANGE	2.8%

George Allen

Ted Newmann - Charlie Anderson

I people employed

Loose market in independent banks - not competitive

for customers services & convenience

8:30 P.M.

Banks I have seen & talked to

EFFECT OF METHOD CHANGE
ON BANCARD EARNINGS

(APR.)

	m/c	visa	Total APR.
O/S AS OF 3/31/81	\$ 2089228	\$ 737193	\$ 2826421
LESS: F.C. BILLED IN MARCH	26503	8639	35142
PAYMENTS APPLIED IN APR.	592569	245709	838278
REFUNDS APPLIED IN APR.	9903	2588	12491
APRIL MONTH END BALANCE SUBJECT TO FINANCE CHARGE	\$ 1460253	\$ 480257	\$ 1940510
MULTIPLIED BY 1.5% / MO. =	\$ 21903	\$ 7203	\$ 29106
APRIL ACTUAL F.C. EARNED ON THE "AVG. DAILY BAL." METHOD =	\$ 25633	\$ 8639	\$ 34272
NET LOSS DUE TO METHOD CHANGE MULTIPLIED BY 12 MO. =	\$ 3730	\$ 1436	\$ 5166
DIVIDED BY MO. END O/S OF	\$ 1460253	\$ 480257	\$ 1940510
EQUALS EFFECTIVE RATE OF LOSS	3.1%	3.6%	3.2%
R.O.A. USING AVG DAILY BAL. METHOD	21.1%	21.6%	21.2%
R.O.A. USING MO. END BAL. METHOD	18.0%	18.0%	18.0%

We'll put our Visa or MasterCard up against anyone's!

	Rocky Mountain BankCard System					
	ANNUAL FEE \$12.⁰⁰	ANNUAL PERCENTAGE 19.8%	GRACE PERIOD 25 DAYS on purchases if balance paid in full.	CAR RENTAL DISCOUNTS YES Discounts from 5 major rental agencies: Hertz, Budget, Avis, Dollar and National.	TRAVEL INSURANCE \$100,000 + travel/accident insurance.*	MEMBER OF PLUS SYSTEM* Automated Teller Machine Network Yes**
	United Bank of Denver					
	ANNUAL FEE \$12.⁰⁰	ANNUAL PERCENTAGE 21.0%	GRACE PERIOD 25 DAYS on purchases if balance paid in full.	CAR RENTAL DISCOUNTS NO	TRAVEL INSURANCE NO	MEMBER OF PLUS SYSTEM* NO
	Bank of America					
	ANNUAL FEE \$18.⁰⁰	ANNUAL PERCENTAGE 19.8%*	GRACE PERIOD 25 DAYS on purchases if balance paid in full.	CAR RENTAL DISCOUNTS NO	TRAVEL INSURANCE \$100,000†	MEMBER OF PLUS SYSTEM* YES**
	CitiBank					
	ANNUAL FEE \$20.⁰⁰	ANNUAL PERCENTAGE 19.8%	GRACE PERIOD 25 DAYS on purchases if balance paid in full.	CAR RENTAL DISCOUNTS NO	TRAVEL INSURANCE \$100,000†	MEMBER OF PLUS SYSTEM* NO
	Compare your present card and see how much more you get with Rocky Mountain BankCard System.					
	ANNUAL FEE _____	ANNUAL PERCENTAGE _____	GRACE PERIOD _____	CAR RENTAL DISCOUNTS _____	TRAVEL INSURANCE _____	MEMBER OF PLUS SYSTEM* _____

The annual fee is not the only basis for choosing a VISA and MasterCard credit card. Our chart shows you all the facts. And when you put all the facts together, you'll see the best service and value is offered by Rocky Mountain BankCard System.

**Rocky Mountain
BankCard System®**



Look at our advantages • Low Annual Fee • Car rental discounts • 100,000 travel accident insurance at no extra cost • And immediate access to cash with the PLUS SYSTEM Network of Automated Teller Machines across the country.

Now that you've got the facts, get the only card that offers you all these unique benefits. Use the enclosed card to request your card today!

*Annual percentage rates are accurate as of January 5, 1984 under \$500.
**The PLUS SYSTEM Network at Bank of America Automated Teller Machines only operate from 6 am to 12 midnight.
†Travel Accident insurance is applicable when common carrier tickets are purchased with the owner's credit card.
This information was verified as of 4/12/85.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 2-5-87
BRL NO. 58245

COMMITTEE NO. 2DATE 2/5/87BILL NO. SB 245

Mr. Chairman and Members of the Committee

Introduce Self: *Ed Lamb, Executive Vice President
Bank of Montana System*

- a. First I would like to explain the difference between calculating interest on the ending balance method and the average daily balance.

\$1,000 - balance

500 - payment on the 15th

- b. In a situation where we cannot retain our present accounts.

Loosing accounts faster than we can put them on.

In 1981, we started calculating interest on the ending balance

method and increased our interest rate to accomodate for lost income.

Since that time, have experienced steady decrease in accounts.

Our active accounts since 1981 have decreased 40.4%

- c. We're faced with more competition than ever before. All of that competition is out of state.

- d. in the last year or so, there have been at least ten different card issuers soliciting accounts in Montana - all quoting lower interest rates.

First Omni Bank in Delaware - 19.8%

First Bankcard Center in Omaha - 19.8%

Norwest Card Services 19.8%

First Bank System thru S.D. 19.8%

Citi Bank thru S.D. 19.8%

Chase Manhattan thru Delaware 17.5%

Bank One through Columbus Ohio 18.0%

Rocky Mountain Bankcard just recently reduced their rate from 19.8% to 18.6%

Banc Ohio and Chemical bank have solicited too 19.8%

VISA triple A is at 18.8%

- e. The average cardholder does not understand the affect of the different methods of calculating interest.

Look only at the annual percentage rate and naturally assume they are paying less if the interest rate quoted is lower.

We've participated in major credit card surveys and have surveyed the accounts we have lost, and in both cases are finding that cardholders are interested primarily in interest rates and annual fees. Simply need to be able to quote a lower rate of interest.

This legislation may encourage other business to locate in Montana. Citicorp is one of the largest credit card issuers in the country. They employ 2,000 employees and moved their entire credit card operation to S.D. because New York prohibited them from raising the interest rate and annual fees. First Bank Systems has also moved their operation.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 2
DATE 2-5-87
BILL NO. S.B. 245



Executive Office
318 N. Last Chance Gulch
P.O. Box 440
Helena, MT 59624
Phone (406) 442-3388

TESTIMONY

SB 245

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 3

DATE 2/5/87

BILL NO. SB 245

Mr. Chairman and Members of the Committee,

For the record, I am George Allen, representing the Montana Retail Association. I am here today in strong SUPPORT of SB 245.

With the passage of SB 245, it will allow the banks who deal in the credit card business the vehicle they need to keep jobs in Montana.

I'd like to call your attention to what the legislature did in South Dakota several years ago. By passing some attractive banking laws, they were able to attract several banking businesses to locate in South Dakota from Minnesota. By the actions of the legislators that created approximately two thousand jobs.

Montana has an unusual law that requires finance charge to be figured on a month end balance. For all other banking activities, the loans are made on an average daily balance. People who do business in several states that have a centralized billing system must recompute their billing for Montana.

Our present law is just another example of a anti-business law that makes it more difficult for business to be conducted in Montana.

We strongly support SB 245.

Respectfully,

A handwritten signature in cursive script, appearing to read 'George Allen'.

George Allen
Executive Vice President
MRA

Jim Paine, Montana Consumer Counsel, expressed his support and stated he would answer any questions.

John Ortwein, Montana Catholic Conference, expressed support and submitted testimony. (EXHIBIT 10)

Wade Wilkerson, LISCA, had also been on the task force process and felt it was well done.

OPPONENTS: There were no opponents.

DISCUSSION OF HOUSE BILL NO. 257: Chairman Kolstad opened the discussion by asking for questions from the committee. Sen. Neuman asked about the costs and the reply was that it was strictly a dollar for dollar passthrough.

Sen. Williams asked Mr. Hughes if he had discussed the amendments with those who opposed them. He responded that he had but has problems with the amendments, particularly 3, 4, 5 and 6. He didn't think amendment no. 1 was necessary as it was too exclusive, however, he would agree with amendment #2. He stated he did not have a problem with amendment #7. We said they had made a commitment to people to try and work with what had been agreed to and wished to follow through on that.

Sen. Williams asked for a response from Ms. Miller concerning the complaints against her proposed amendments, however, Ms. Miller felt they were good amendments.

In closing, Sen. Thayer said the bill had been reworked because of potential problems and urged the committee to not adopt the amendments with the possible exception of amendment #7.

DISPOSITION OF SENATE BILL NO. 245: There was discussion between Chairman Kolstad and the researcher, Mary McCue, concerning an immediate effective date and also an applicability date. Sen. Walker MOVED ADOPTION OF AMENDMENT regarding effective date, seconded by Sen. Thayer, PASSED UNANIMOUSLY. Sen. Meyer MOVED the balance of the amendments concerning applicability date, and the word "daily" following "average" wherever needed, seconded by Sen. Thayer. The MOTION PASSED UNANIMOUSLY. Sen. Williams then MOVED that SB 245 DO PASS, AS AMENDED, seconded by Sen. Meyer. MOTION PASSED UNANIMOUSLY.

DISPOSITION OF SENATE BILL NO. 239: Sen. Walker MOVED SB 239 DO NOT PASS, seconded by Sen. Boylan. The MOTION PASSED UNANIMOUSLY. Sen. Walker will explain the Adverse Committee Report.

FURTHER DISCUSSION ON SENATE BILL NO. 115: The committee discussed the fact that they had to vote on the Statement of Intent for the bill.

Business & Industry COMMITTEE
50th LEGISLATIVE SESSION -- 1987

Friday
Date 2/6/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER	✓		
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

February 6, 19 87

MR. PRESIDENT

We, your committee on BUSINESS & INDUSTRY

having had under consideration SENATE BILL No. 245

First reading copy (white)
color

COMPUTATION OF FINANCE CHARGE ON RETAIL CHARGE ACCOUNT AGREEMENT

Respectfully report as follows: That SENATE BILL No. 245

be amended as follows:

1. Title, line 6.

Following: "AVERAGE"

Insert: "DAILY"

2. Title, line 7.

Strike: "AND"

3. Title, line 8.

Following: "MCA"

Insert: "; AND PROVIDING AN APPLICABILITY DATE"

4. Page 4, line 22.

Following: "average"

Insert: "daily"

5. Page 7, line 8.

Following: "average"

Insert: "daily"

6. Page 8, following line 4.

Insert: "NEW SECTION. Section 3. Applicability. This act applies to finance charges computed on or after October 1, 1987."

And as amended,

~~DO PASS~~

XXXXXXXXXX
~~DO NOT PASS~~

Kolstad
ALLEN C. KOLSTAD,

Chairman.

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
50TH LEGISLATIVE SESSION

March 5, 1987

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on March 5, 1987 at 8:00 a.m. in Room 312-F of the State Capitol.

ROLL CALL: All members were present.

SENATE BILL NO. 245 - Sen. Allen Kolstad, Senate District 7, said that SB 245 was an act requiring computation of finance charges on retail charge account agreements be based on the average daily balance of the account rather than the ending balance. He pointed out the most common method of calculating interest on the average daily balance since it was the most equitable for both the consumer and the creditor. He said the interest is calculated by applying the rate of interest to the average balance outstanding during the period after deducting any purchases made by the card user during the previous thirty days. He said that under the present law in Montana interest must be computed by applying the interest rate to the ending balance to the period after deducting from that balance the charges made during the previous 30 days. Using the ending balance method of computation required under the current Montana law reduces the yield by an average of 3 percent so to equal the average yield of an out-of-state card user a rate of 3 percent more would have to be charged. He pointed out that this puts the Montana company at a competitive disadvantage because the consumer perceives that the cost of the Montana companies card is more than the out-of-state card. He said this bill would clarify this inequity and put the Montana companies on a level playing field with the other companies. He said it would also allow them to lower their interest rate approximately 3 percent and still be competitive. The Bank of Montana system is the only bank in the state that issues in-state credit cards. The other banks in Montana that have credit cards are issuing them out of state to get out from under this. He pointed out that South Dakota has favorable banking laws and as a result several banks have relocated their credit card issuing programs into that state which resulted in 2,000 jobs.

PROPOSERS

Ed Lamb, executive vice president of the Bank of Montana system headquartered in Great Falls, testified in support of SB 245. He said this was a fairness issue. He said the issuer of a credit card is bound by the laws in which they operate. He pointed out that Montana is the only state in the nation that requires that the interest be calculated on

the ending balance. All the other states have it on the average daily balance. He discussed the negative impact of the law that was created in 1981.

George Allen, representing the Montana Retail Association which has approximately 1,200 stores in the association, spoke in support of the bill. (Exhibit No. 1) He pointed out that the bill was a pro-business and jobs bill.

OPPONENTS

None.

QUESTIONS

Rep. Wallin asked if this bill pertained only to credit cards or if retail stores that charge one and one-half percent are exempt from the average daily balance computation. Sen. Kolstad replied that they were exempt in this state if they operated in this state. George Allen responded that anyone doing business on a multi-state basis must calculate their interest rates specially for Montana. He pointed out that they may charge the average daily balance. He said it was optional to each business whether they want to continue to charge the average daily balance or month end balance. However, the bill says it requires the average daily balance. He suggested an amendment be added to make it optional for each business.

CLOSING

Sen. Kolstad said to change "shall" to "may" so there would be no problem.

SENATE BILL NO. 242 - Sen. J.D. Lynch, District 34, introduced SB 242. He said if a person wants to buy from the state insurance only, which does not apply to plans one and two, they must allow the Labor Department to look over their facilities.

PROPONENTS

None.

OPPONENTS

None.

CLOSING

No further comments.

SENATE BILL NO. 182

EXECUTIVE ACTION - March 4, 1987

ACTION ON SENATE BILL NO. 130

Rep. Pavlovich moved BE CONCURRED IN. Rep. Pavlovich moved the amendments. He said this would add "The Arlington Million" and "The Marlboro Cup". The motion carried with Reps. Cohen and Thomas opposed.

Rep. Simon moved the amendment to strike section 3, the effective date. The question was called. The motion failed.

Rep. Pavlovich moved BE CONCURRED IN AS AMENDED. The motion carried with Reps. Thomas, Wallin, Hanson and Simon opposed.

ACTION ON SENATE BILL NO. 182

Rep. Thomas moved BE CONCURRED IN. Rep. Simon moved to strike the new section 4. He said they had to have an emergency situation to have this effective on passage and approval. He said there was no need for this bill to be in effect sooner than October 1. The question was called on the amendment. The motion failed.

The question was called on the motion to be concurred in. The motion carried with Reps. Swysgood, Driscoll, Glaser, Grinde, Kitselman opposed.

ACTION ON SENATE BILL NO. 242

Rep. Pavlovich moved BE CONCURRED IN. Rep. Driscoll said that plan 2, private insurance companies make an inspection before selling insurance. He pointed out that the state had to take all comers and should have the right to inspect. He said they might take bad risks and drive up all the rates of all employers in that class. Rep. Hanson asked if they had the people to do the inspections. The question was called. The motion carried unanimously.

ACTION ON SENATE BILL NO. 245

Rep. Thomas moved to BE CONCURRED IN. Rep. Thomas moved the amendment to change "shall" to "may". Rep. Pavlovich discussed the amendment (See committee report). Rep. Thomas moved the amendment as Rep. Pavlovich suggested. The motion carried unanimously.

DAILY ROLL CALL

BUSINESS & LABOR

COMMITTEE

Jth LEGISLATIVE SESSION -- 1987

Date March 5, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN	✓		
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

STANDING COMMITTEE REPORT

MARCH 5

19 37

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report SENATE BILL NO. 245

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

REP. LES MITCHELL

Chairman

AMENDMENTS AS FOLLOWS:

1) Title, line 6

Strike: "REQUIRE THAT"

Insert: "ALLOW THE"

2) Title, line 3

Strike: "RATHER THAN"

Insert: "OR"

3) Page 5, line 1

Following: "cycle"

Insert: "or the buyer's balance from time to time"

4) Page 7, line 3

Following: "buyer"

Strike: "The"

Insert: "(a) Except as provided in subsection (2)(b), the"

5) Page 7, line 13

Following: line 14

Insert: "(b) Nothing in this section prevents a retail seller and buyer from agreeing to the computation of the finance charge by using the ending balance of the account as of the last day of the billing cycle period less the amount of purchases charged to the account during that billing cycle."

THIRD

BLUE

reading copy ()
color



EXHIBIT 1
DATE 2-2-85
HB 245

Executive Office
318 N. Last Chance Gulch
P.O. Box 440
Helena, MT 59624
Phone (406) 442-3388

TESTIMONY

SB 245

Mr. Chairman and Members of the Committee,

For the record, my name is George Allen, representing over approximately 1,200 retail stores in Montana. I am appearing here in strong SUPPORT of SB 245.

SB 245 is a pro-business bill. It is a pro-employment bill. With the passage of SB 245, it will open the door for businesses such as the Bank of Montana, to increase their credit card volume, which in turn could create more good paying jobs in Montana.

Several years ago the state of South Dakota recognized that they had some anti-business bills on the books. Through the Governors' direction, they went in and changed the banking laws. As a result of this, the state of South Dakota was able to attract several large banks from Minnesota and New York to locate their credit card business in South Dakota. There has been in excess, 2,000 new jobs brought into the state of South Dakota as a result of the legislature correcting some bad laws.

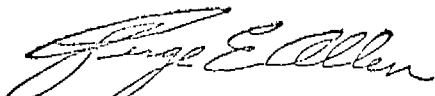
I am not here to tell you there are some large banks waiting in the wings to move the credit card operation to Montana. But we do have one banking company left in Montana who is desirous of continuing their credit card operation. The Bank of Montanas' credit card volume has decreased 40%, and has laid off approximately 5 employees. A bank in Missoula has discontinued their credit card operation entirely. This has all taken place as a direct result of the way we have to figure interest on accounts receivable and on credit cards.

The companies who are doing business in Montana, and also doing business on a national or a multi-state basis, have to calculate their accounts receivable interest rate on a special formula. If you observe some of your credit cards issued by gas companies, Exxon, Union Oil, etc., you will notice that the credit terms are spelled out, except

for Montana. We stand out like a sore thumb, and we're sending the wrong signal to all businesses.

Mr. Chairman and members of the Committee, anything you can do to help preserve the existing jobs, or make laws that will attract new businesses, would have to be considered good legislation. Therefore, the Montana Retail Association strongly supports SB 245.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Allen".

George Allen
Montana Retail Association